

**Mallard Point Disposal Systems, Inc.
104 Teal Court
Georgetown, Kentucky 40324**

RECEIVED
JUL 14 2004
PUBLIC SERVICE
COMMISSION

July 12, 2004

Ms. Beth O'Donnell
Public Service Commission
Box 615, 211 Sower Blvd.
Frankfort, KY 40602-0615

Dear Ms. O'Donnell:

In the May 27, 2004 decision by the Public Service Commission, in Consolidated Case numbers 2003-00283 and 2003-00284, I was instructed to keep a disbursements and income ledger, to balance the monthly bank statements of the utility, to maintain all receipts for expenditures, and to submit copies of same quarterly to the Public Service Commission. I was not instructed to submit these documents to any particular individual; thus, I tender them to you. ✓

Enclosed herewith you will find that information covering the first two quarters of 2004, combined. Please have your staff review the contents of this submission and affirm its compliance with the Order, and/or denote any deficiencies I may have overlooked in its preparation. Also, please designate the appropriate individual to whom I should direct my future submissions.

Upon your review of the ordered and requested information on the operations of this utility, you will find that I, as principal of Mallard Point Disposal Systems, Inc., have been required to loan the utility the sum of \$42,738 within the first six months of this year. Those loans are evidenced by the promissory notes attached hereto. Even with these substantial proceeds, Mallard Point Disposal Systems, Inc. has not fully paid all accounts current that have been incurred in the daily operation of the utility. Normal operations for the remainder of the year will undoubtedly result in additional borrowings by the utility in an amount that I anticipate will mirror its requirement for these first six months. Consequently, at our present pace, and under our present rate structure, I project that Mallard Point Disposal Systems, Inc. will be operating at a \$50,000 to \$65,000 deficit during the calendar year of 2004, without adding depreciation.

Also contained in the Public Service Commission's May 27, 2004 decision was the approval for the utility to borrow funds for the renovation of our oldest plant. Unfortunately, however, the current operating deficits place the utility in a position of being approved to borrow money for that renovation, but without sufficient income through its rates to even cover its normal monthly operating expenses, much less repay the loan. I would appreciate any instruction or direction you might be able to give as to how Mallard Point Disposal Systems, Inc. might proceed to comply with that part of the Public Service Commission's May 27, 2004 decision.

The Public Service Commission's recent decision also instructed me to cease commingling my personal funds with that of the utility, and this I have done. In doing so, it has become obvious that the commingling of funds in past years obscured the true negative cash position at which the utility has operated historically, and is operating currently even with the small rate increase we were given on May 27, 2004. The Public Service Commission's order has illustrated, as painful as it may be, the very real need for another rate increase.

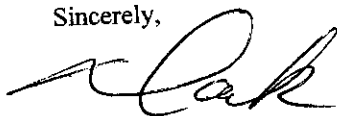
Mallard Point Disposal Systems, Inc. currently intends to initiate another alternative rate filing proceeding before the Public Service Commission early in 2005. Inasmuch as it will be submitting full financials to the Commission quarterly throughout 2004, the Commission staff will already have in its possession all the necessary information required for such a filing.

Ms. Beth O'Donnell
July 12, 2004
Page 2

Finally, I regret that, during the course of Mallard Point Disposal Systems, Inc.'s recent rate request, much attention was placed on our poor record keeping, and penalties were imposed upon the utility as a result of the same. That misplaced attention ignored our history of service to the public. Mallard Point Disposal Systems, Inc. has only sought two rate increases since its inception nearly 20 years ago. In performing its services for the public over that same time period, Mallard Point Disposal Systems, Inc. has had only had two complaints filed against it (prior to our last rate increase filing). Both complaints were resolved in favor of the utility.

Once again, I apologize for the deficiencies in our past bookkeeping and look forward to our next rate filing in early 2005 in order to address our deficit cash position with regards to our monthly operating expenses.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark S. Smith', written in a cursive style.

Mark S. Smith, President